

12-Mo. Forecast

**¥211.49**  
Rent (PSM/MO)



**-3.4%**  
Rental Growth (QOQ)



**25.1%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## Robust Leasing Demand Drives Full-Year Absorption to ~400,000 sq m

Shenzhen's Grade A market welcomed 322,393 sq m of new supply in Q4, bringing the full-year total to 762,050 sq m and pushing total stock to 6,285,895 sq m. Robust leasing demand in the quarter slowed towards the year-end, but several large-scale transactions helped propel Q4 absorption to 208,173 sq m. Full-year absorption was 403,284 sq m, a leap of 296% y-o-y, although still off 11% from the peak of 2018. The overall vacancy rate fluctuated around 25% to end Q4 at 25.1%, rising just 0.56 pp q-o-q. Relocation and expansion activity was also stoked by a further softening in rental levels, with average monthly rent falling 3.4% q-o-q or 12.8% y-o-y to RMB211.49 per sq m.

By submarket, the lion's share of the new supply, 86.5%, was in Nanshan, which consequently also accounted for 86.65% of citywide absorption for the year, at 349,453 sq m. Futian district saw absorption of 37,205 sq m, and Bao'an 45,489 sq m, while Luohu dropped into negative absorption territory at -28,863 sq m. The trend we see here is of business heading westwards.

On the demand side, the TMT sector remained a key market player, with growing numbers of TMT firms choosing Shenzhen as their headquarters location. A notable transaction was the large-area lease by OPPO at China Resources Qianhai Center T2. Additionally, in the aftermath of the pandemic, investors have increasingly moved to mitigate market risks and maintain asset values via asset management firms. These enterprises have become a rising player in the Shenzhen office market, adding to leasing demand, typically in landmark projects. In the traditional finance sector, insurance and securities firms are also taking the opportunity for space expansion or upgrades at the more favorable rents on offer.

## New Supply Ahead May Differentiate Submarket Performance

Looking ahead, 1.79 million sq m of new supply is scheduled for completion in 2021, although delays could trim delivery to around 1 million sq m. The influx will certainly provide greater choice for potential occupiers, and we can expect competitive rental offers to attract prime tenants. Qianhai submarket has benefitted from the high-profile leases of OPPO and JD and is expected to continue to attract new arrivals and to absorb existing stock. However, incoming new supply will likely exert upwards pressure on vacancy. In contrast, scheduled new supply in Futian is more limited, and the forecast is for relatively low vacancy and stable rental levels.

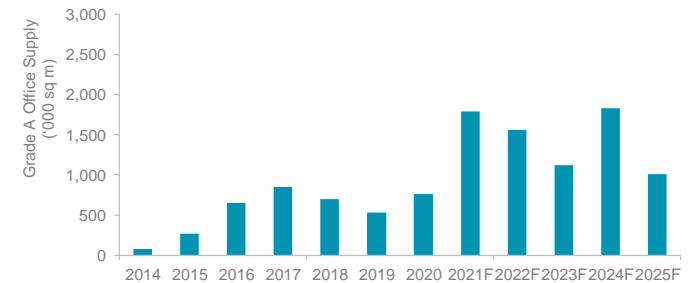
Confidence in Shenzhen's office market has strengthened with the domestic containment of the pandemic. And as a core member of the GBA the city continues to enjoy a favorable business environment, strong industrial base and development potential – all key corporate location criteria. Shenzhen enjoyed major expansions by technology and finance firms in 2020 and we expect this trend to continue into 2021.

## GRADE A RENT & VACANCY RATE



Source: Cushman & Wakefield Research

## GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Research

## SHENZHEN ECONOMIC INDICATORS Q1-Q3 2020



Note: Growth figure is y-o-y growth;  
Source: Shenzhen Statistics Bureau; Oxford Economics; Cushman & Wakefield Research



SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	18.1%	40,170	¥185.77	US\$2.63	€2.21
Futian	2,964,097	17.5%	619,344	¥235.17	US\$3.32	€2.79
Nanshan	2,512,225	33.8%	6,382,789	¥193.57	US\$2.74	€2.30
Bao'an	267,760	37.0%	267,851	¥169.58	US\$2.40	€2.02
<b>SHENZHEN GRADE A TOTAL</b>	<b>6,285,895</b>	<b>25.1%</b>	<b>7,310,154</b>	<b>¥211.49</b>	<b>US\$2.99</b>	<b>€2.51</b>

Face Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three year lease term with VAT.  
Exchange Rate: 1RMB= 0.1521USD=0.1279EUR (2020.11.25)

## KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Shenzhen Energy Mansion	Futian	China Export & Credit Insurance Corporation	5,500	Relocation
Unicenter	Bao'an	China Merchants	1,000	Relocation
China Resources Tower	Nanshan	First State Cinda Fund	4,000	Relocation
Qianhai Kerry Centre	Nanshan	Tuya Smart	9,600	Relocation
Qianhai Financial Center	Nanshan	Huize Insurance	13,000	Relocation

## SIGNIFICANT PROJECTS PLANNED &amp; UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Hony Tower	Nanshan	-	54,800	2021
Qianhai Holdings	Nanshan	-	98,800	2021
Future City	Futian	-	214,000	2021
Kerry Centre Qianhai Phrase II	Nanshan	-	74,500	2021
Dabaihui Plaza	Futian	-	150,000	2021
WeBank Tower	Nanshan	-	102,000	2022
iCarbonX	Nanshan	-	80,000	2023

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